



**CITY OF OAKLAND
BLUE RIBBON EQUITABLE BUSINESS TAX TASKFORCE**

**SPECIAL MEETING
Meeting Agenda
Thursday, April 29, 2021
6:00 PM
Via Teleconference**

Blue Ribbon Equitable Business Tax Taskforce Members:

Michael Katz
Taison Kwamilele
Cynthia Larsen – **Vice Chairperson**
Jessica Moncada Kone
Zain Oke
Liz Ortega
Daniel Swafford
Ari Takata-Vasquez - **Chairperson**
Minh Tsai
Ben Wanzo
Winter Williams

Task Force website: [City of Oakland | Blue Ribbon Equitable Business Tax Task Force](#)

Pursuant to the Governor's Executive Order N-29-20, Blue Ribbon Equitable Business Tax Taskforce Members, as well as City staff, will participate via phone/video conference, and no physical teleconference locations are required.

PUBLIC PARTICIPATION

The Oakland Blue Ribbon Equitable Business Tax Taskforce encourages public participation in the online board meetings. The public may observe and/or participate in this meeting in several ways.

OBSERVE:

- To observe the meeting by video conference, please click on this link:
<https://us02web.zoom.us/j/83616493506?pwd=djZxTTRxc3FKSHR4aDUzYnJHQzQvZz09>
Passcode: 384984 at noticed time.

Instructions on how to join a meeting by video conference are available at:
<https://support.zoom.us/hc/en-us/articles/201362193>, which is a webpage entitled “Joining a Meeting”

- To listen to the meeting by phone, please call the numbers below at the noticed meeting time:
Dial (for higher quality, dial a number based on your current location):

One tap mobile :

US: [+16699006833](tel:+16699006833), [83616493506](tel:+183616493506)#, ..., *384984# or
[+12532158782](tel:+12532158782), [83616493506](tel:+183616493506)#, ..., *384984#

Or Telephone:

US: +1 669 900 6833 or +1 253 215 8782 or +1 346 248 7799 or +1 301 715 8592 or +1 312 626 6799 or +1 929 205 6099

Webinar ID: 836 1649 3506

Passcode: 384984

International numbers available: <https://us02web.zoom.us/j/83616493506>

After calling any of these phone numbers, if you are asked for a participant ID or code, press #. Instructions on how to join a meeting by phone are available at: <https://support.zoom.us/hc/en-us/articles/201362663>, which is a webpage entitled “Joining a Meeting By Phone.”

PROVIDE PUBLIC COMMENT: There are three ways to make public comment within the time allotted for public comment on an eligible Agenda item.

- **Comment in advance:** To send your comment directly to the Blue Ribbon Equitable Business Tax Taskforce and staff BEFORE the meeting starts, please send your comment, along with your full name and agenda item number you are commenting on, to BlueRibbonTaskForce@oaklandca.gov. Please note that eComment submissions close one (1) hour before posted meeting time. All submitted public comment will be provided to the Task Force Members prior to the meeting.
- **By Video Conference:** To comment by Zoom video conference, click the “Raise Your Hand” button to request to speak when Public Comment is being taken on an eligible agenda item at the beginning of the meeting. You will then be unmuted, during your turn, and allowed to participate in public comment. After the allotted time, you will then be re-muted. Instructions on how to “Raise Your Hand” are available at: <https://support.zoom.us/hc/en-us/articles/205566129>, which is a webpage entitled “Raise Hand In Webinar.”
- **By Phone:** To comment by phone, please call on one of the above listed phone numbers. You will be prompted to “Raise Your Hand” by pressing STAR-NINE (“*9”) to request to speak when Public Comment is being taken on a eligible agenda item at the beginning of the meeting. Once it is your turn, you will be unmuted and allowed to make your comment. After the allotted time, you will be re-muted. Instructions of how to raise your hand by phone are available at: <https://support.zoom.us/hc/en-us/articles/201362663>, which is a webpage entitled “Joining a Meeting by Phone.”

If you have any questions about these protocols, please e-mail BlueRibbonTaskForce@oaklandca.gov

Do you need an ASL, Cantonese, Mandarin or Spanish interpreter or other assistance to participate? Please email SAzimi@oaklandca.gov or call (510) 238-2972 for TDD/TTY five days in advance.

¿Necesita un intérprete en español, cantonés o mandarín, u otra ayuda para participar? Por favor envíe un correo electrónico a SAzimi@oaklandca.gov o llame al (510) 238-2972 para TDD/TTY por lo menos cinco días antes de la reunión. Gracias.

您需要手語, 西班牙語, 粵語或國語翻譯服務嗎? 請在會議前五個工作日電郵 SAzimi@oaklandca.gov 或 致電 (510) 238-2972 TDD/TTY.

1. Roll Call and Determination of Quorum

2. Public Comment: Speakers will be called on by the facilitator as speakers “raise their hand” through video conference or by telephone to speak on Agenda items. Comments for matters not on the Agenda will be taken during Open Forum. All speakers will be allotted a maximum of two minutes to address the Task Force, unless amended by the Chair.

3. Informational Items:

A. Informational presentation of City Council proposed Equitable Business Tax Resolution 88227 CMS and fiscal impact:

- i. [Resolution 88227 CMS](#)
- ii. [Finance Department’s Report](#) staff will present data from this report using calendar year 2019 information.

B. Continuation (from 4/22/2021 Special Taskforce meeting) Designing a Progressive Business Tax presentation

4. Action Items:

A. (Continued from the 4/22/2021 Special Taskforce meeting) Ad Hoc Committee

Assignments: Continued from the April 22, 2021 meeting. The Task Force will discuss and take possible action on assigning Task Force members to work in Ad Hoc Committees

5. Open Discussion - Task Force will discuss their business tax priorities and potentially delegate research items to staff and ad hoc committees for research and analysis.

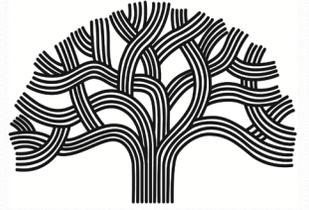
6. Agenda Requests for Future Meetings

Task Force Members may use this opportunity to address new issues for Task Force business. New items will be referred to an Ad Hoc Committee for action, outreach, research and/or deliberation or scheduled to a subsequent Task Force meeting.

7. Open Forum

8. Adjournment

The meeting will adjourn upon the completion of the Task Force’s business.



**Blue Ribbon Equitable Business Tax Task Force
Presentation**

Designing a Progressive Business Tax

April 22, 2021

Revised April 29, 2021

Presented by

Matthew Newman

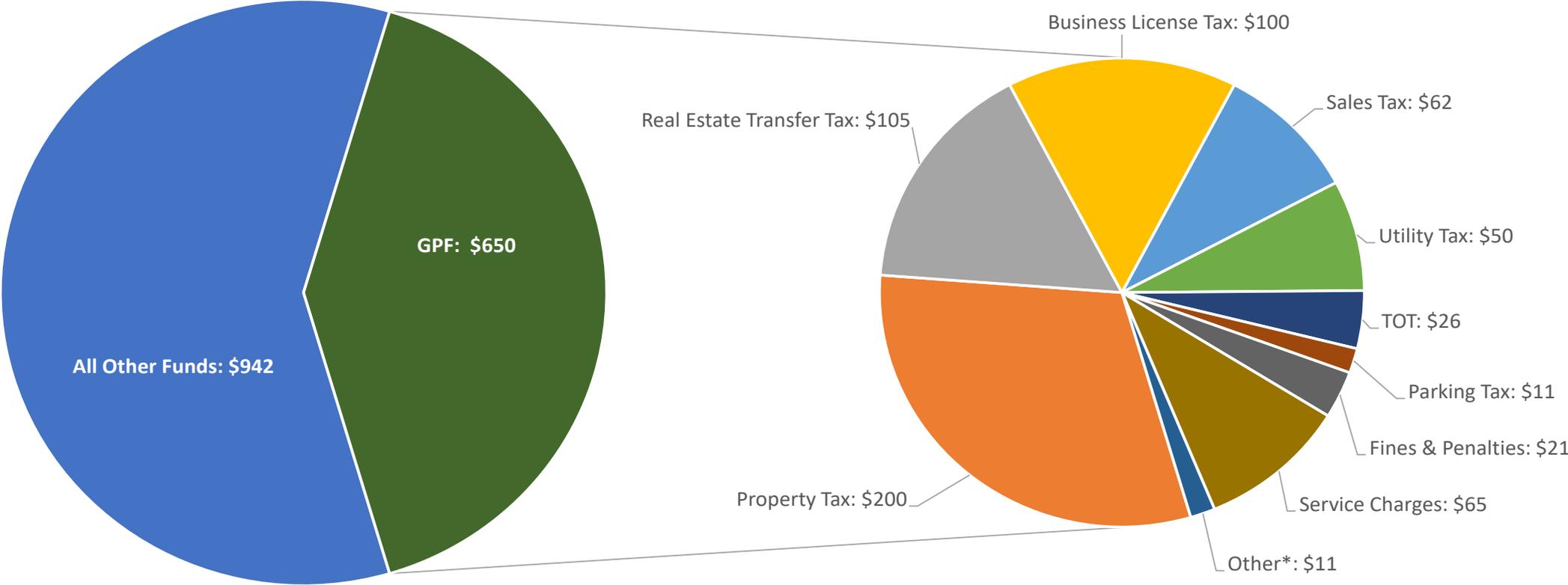
Blue Sky Consulting Group

Overview

- ▶ City of Oakland Revenue Sources
- ▶ Overview of the Business Tax
- ▶ Possible goals for the commission
- ▶ Balancing tradeoffs
- ▶ Discussion and next steps

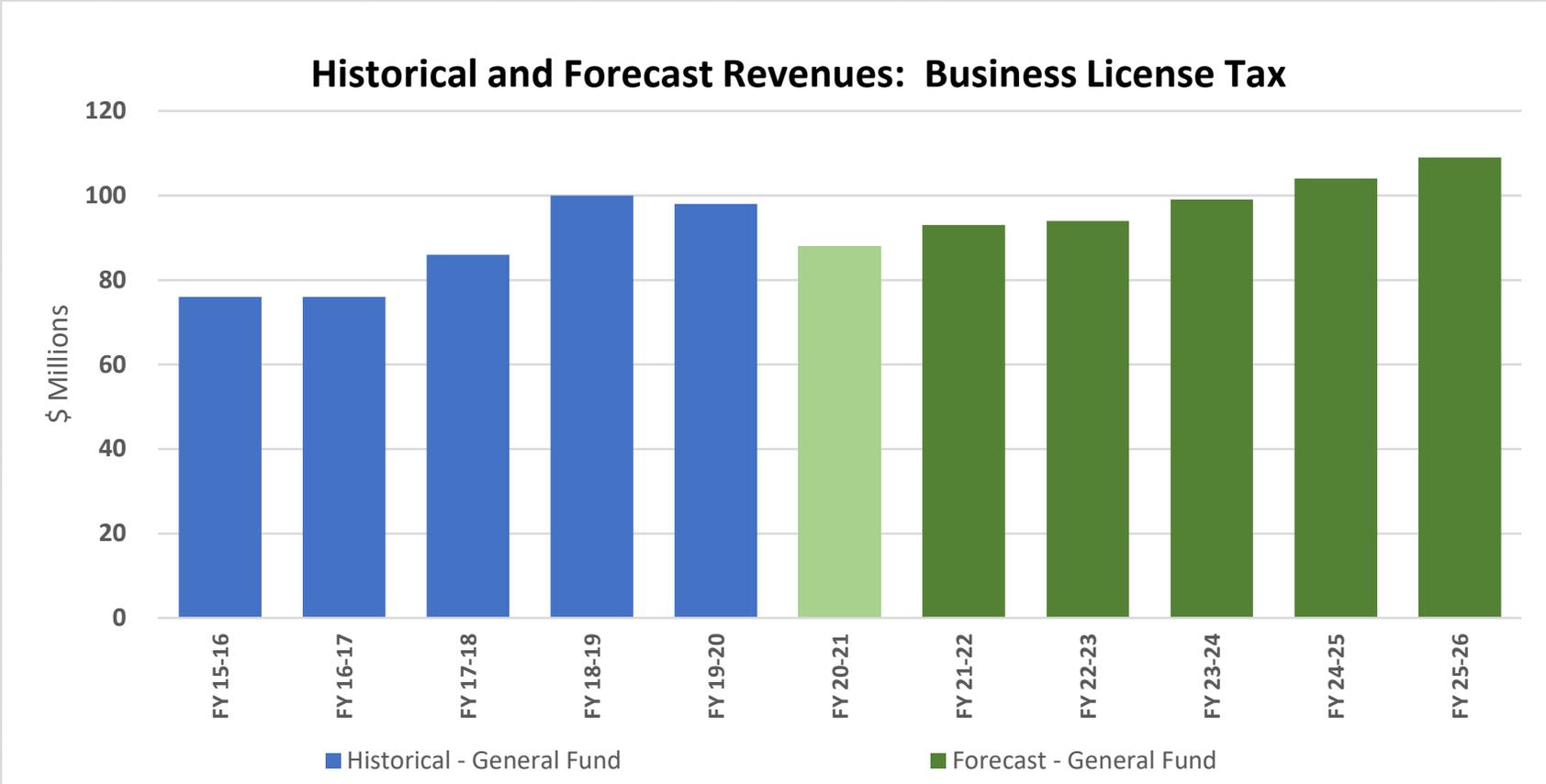
City of Oakland Revenue Sources

City of Oakland FY 18-19 Revenues and General Purpose Fund Detail (\$Millions)



* Other revenue sources include Licenses & Permits, Interest Income, Grants & Subsidies, Interfund Transfers, and Miscellaneous Revenues.

Business License Tax is an Important Revenue Source for the City



Business Tax Overview

- ▶ The City of Oakland Business Tax is a gross receipts tax (i.e., based on total sales rather than profits)
- ▶ Businesses file a tax return in March each year reporting total revenue (gross receipts) for the prior calendar year
- ▶ Tax is assessed at different rates depending on the type of business

Business Tax Rates and Revenue by Sector

Code	Business	Tax Rate*	Tax per \$1,000	Gross Receipts (mil \$)	% of Total Gross Receipts	Tax Charged (mil \$)	% of Total Tax Charged
A	Retail Sales	0.12%	\$1.20	\$3,603	14.3%	\$4.6	5.1%
C	Automobile Sales	0.12%	\$1.20	\$705	2.8%	\$0.8	0.9%
D	Wholesale Sales	0.12%	\$1.20	\$2,217	8.8%	\$2.7	2.9%
I	Manufacturing**	0.12%	\$1.20	\$729	2.9%	\$0.9	1.0%
K	Admin Headquarters**	0.12%	\$1.20	\$972	3.9%	\$1.2	1.3%
T	Media Firms	0.12%	\$1.20	\$384	1.5%	\$0.5	0.5%
W	Miscellaneous**	0.12%	\$1.20	\$21	0.1%	\$0.0	0.0%
B	Grocers	0.06%	\$0.60	\$790	3.1%	\$0.5	0.6%
E	Business/Personal Svcs.	0.18%	\$1.80	\$2,756	11.0%	\$5.2	5.7%
H	Contractors	0.18%	\$1.80	\$4,022	16.0%	\$7.4	8.1%
P	Hotel/Motel	0.18%	\$1.80	\$253	1.0%	\$0.5	0.5%
F	Professional Svcs	0.36%	\$3.60	\$5,017	20.0%	\$18.4	20.3%
G	Recreation/Entertainment	0.45%	\$4.50	\$283	1.1%	\$1.3	1.4%
M	Residential Rental Property	1.395%	\$13.95	\$1,467	5.8%	\$20.8	22.9%
N	Commercial Rental Property	1.395%	\$13.95	\$980	3.9%	\$13.6	15.0%
U	Utility Companies	0.10%	\$1.00	\$781	3.1%	\$0.8	0.9%
X, L, Y	Taxi, Trucking, Amb / Lim**	N/A	N/A	N/A	N/A	\$0.1	0.1%
Z	Cannabis	0.12% - 9.5%	\$1.20 - \$95.00	\$151	0.6%	\$11.6	12.7%

*Tax Rate only applies to businesses exceeding minimum gross receipts thresholds.

** Based on permits issued (for taxis, ambulances, and limousines), number of employees (trucking), payroll (admin headquarters, miscellaneous), or value added (manufacturing).

Gross Receipts and Revenues by Business Size & Location

	<u># of Businesses</u>	<u>% of Total</u>	<u>Gross Receipts (mil \$)</u>	<u>% of Total</u>	<u>Taxes Charged (mil \$)</u>	<u>% of Total</u>
All Businesses*	53,133		\$25,169		\$91.0**	
<u>By Business Size</u>						
\$0 - \$250k	44,766	84.3%	\$2,062	8.2%	\$19.0	21.0%
\$250k - \$1 mil	4,845	9.1%	\$2,414	9.6%	\$11.6	12.7%
\$1 - \$2.5 mil	1,688	3.2%	\$2,639	10.5%	\$10.2	11.1%
\$2.5 - \$25 mil	1,389	2.6%	\$9,344	37.1%	\$31.3	34.3%
\$25 - \$50 mil	71	0.1%	\$2,510	10.0%	\$7.5	8.3%
Over \$50 mil	52	0.1%	\$6,200	24.6%	\$11.4	12.5%
Permit / payroll-based	322	0.6%	N/A	N/A	\$0.11	0.1%
<u>By Business Location</u>						
Oakland (home-based)	30,838	58.0%	\$2,328	9.2%	\$23.1	25.3%
Oakland (not home-based)	15,132	28.5%	\$17,300	68.7%	\$57.0	62.5%
Outside Oakland	7,163	13.5%	\$5,542	22.0%	\$11.0	12.0%

*Includes all businesses that reported gross receipts or taxable permits or payroll for Tax Year 2020.

**Including fees and penalties, total amounts owed exceeded \$94 million.

***Includes all Taxicab, Ambulance/Limousine, and Trucking/Transportation businesses, which pay business taxes based on permits issued or employees on payroll. Firms in these industries officially report \$0 of gross receipts.

Balancing Competing Goals

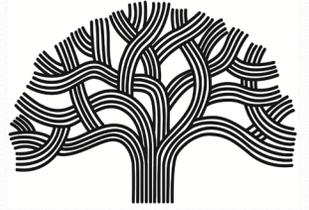
- ▶ Some goals for business tax reform could include:
 - ▶ Raise additional revenue
 - ▶ Increase fairness
 - ▶ Reduction of race and equity disparities
 - ▶ Incentivize certain types of businesses (e.g. small businesses)
 - ▶ Support the city's economy and workforce
 - ▶ Modernize rate categories

Raising Taxes May Involve Tradeoffs

- ▶ Higher rates may raise additional revenue but come at a cost in terms of jobs
- ▶ Increases in Business Tax revenues may result in offsetting decreases in other revenue sources (e.g., lower sales tax revenues) or increased enforcement costs
- ▶ Lower rates may preserve economic activity but may not achieve fairness or revenue goals
- ▶ Tax incidence (i.e. who pays)
 - ▶ Will businesses pass tax increases on to customers, reduce wages, lower profits?
 - ▶ Where are incidence effects felt? Are Oakland residents and workers likely to be impacted, or are customers and business owners living outside of Oakland likely to pay the costs of a tax increase?
 - ▶ What will be the impact on rents and property values?

Next Steps

- ▶ Identify areas for staff research, potentially including
 - ▶ Factors influencing business mobility
 - ▶ Data on tax rates in neighboring and comparable jurisdictions



Discussion

Active Business by Year (2016 - 2021)



Business Taxes* by Sector (2017 - 2021)

Code	Business	Tax Rate**	2017	2018	2019	2020	2021
M	Residential Rental Property	1.40%	\$17,725	\$18,640	\$19,844	\$20,903	\$19,707
F	Professional Svcs	0.36%	\$16,063	\$17,178	\$18,426	\$18,420	\$17,234
Z	Cannabis	0.12% - 9.5%	\$7,185	\$8,692	\$16,237	\$11,594	\$15,507
N, O	Commercial Rental Property	1.40%	\$12,461	\$12,646	\$13,478	\$13,726	\$13,202
H	Contractors	0.18%	\$3,819	\$5,049	\$7,399	\$7,416	\$5,736
E	Business/Personal Svcs.	0.18%	\$4,702	\$4,892	\$5,181	\$5,142	\$4,775
A	Retail Sales	0.12%	\$4,042	\$4,295	\$4,399	\$4,559	\$4,093
D	Wholesale Sales	0.12%	\$2,606	\$2,643	\$2,812	\$2,678	\$2,084
K	Admin Headquarters***	0.12%	\$771	\$889	\$921	\$1,173	\$1,663
U	Utility Companies	0.10%	\$895	\$917	\$871	\$786	\$820
I, J	Manufacturing***	0.12%	\$898	\$998	\$961	\$899	\$785
C	Automobile Sales	0.12%	\$982	\$904	\$823	\$851	\$713
T	Media Firms	0.12%	\$504	\$546	\$577	\$463	\$554
G	Recreation/Entertainment	0.45%	\$2,979	\$3,594	\$3,725	\$1,291	\$499
B	Grocers	0.06%	\$514	\$525	\$542	\$517	\$492
P	Hotel/Motel	0.18%	\$409	\$399	\$440	\$459	\$170
X, L, Y	Taxi, Trucking, Amb / Lim***	N/A	\$128	\$122	\$103	\$112	\$83
W, NP	Miscellaneous, Non-Profit***	0.12%	\$83	\$58	\$55	\$47	\$51

*Amounts in thousands USD and do not include fees or penalties.

**Tax Rate only applies to businesses exceeding minimum gross receipts thresholds.

*** Based on permits issued (for taxis, ambulances, and limousines), number of employees (trucking), payroll (admin headquarters, miscellaneous), or value added (manufacturing).

Business Tax Rates for Selected Cities - Summary

City	Business Tax Type	Exemptions *	Rates
Oakland	Primarily GRT, some exceptions (e.g., employees, payroll, etc.)	Threshold limits (vary by category); Non-profits; some affordable housing; licensed family daycare up to 14 children	Range from \$0.60 (grocers) to \$13.95 (commercial and residential rental property) per \$1,000 Cannabis rates are progressive, \$1.20 to \$13.95 per \$1,000 (Cannabis higher)
Emeryville	GRT	Charitable organizations	For most businesses is \$1.00 per \$1,000; Commercial rent = \$3.50; Cannabis = \$60
Berkeley	Primarily GRT (similar to Oakland)	Wholly charitable organizations; Small businesses w/gov't R&D grants	Rates range from \$0.60 (grocers) to \$4.50 per \$1,000 for most categories, with some much higher rates: Professional sporting events = \$100; Firearms and ammunition = \$150; Cannabis = \$25 to \$50
Richmond	Currently flat fee + tax per employee; Measure U (2020), implements GRT to take effect July 2021 and is described here	Non-profits; small businesses < \$250K; affordable housing, some owner-occupiers room and ADU rentals if < 150% AMI; family daycare providers; hardship exemptions (1 yr, must apply)	Progressive system, rates are marginal and by category, most range between \$0.60 and \$2.00 (grocers) to \$3.60 to \$6.80 (professional svcs); Cannabis = \$50.00; Firearms = \$60 first \$2,500 then \$24; seems to pull from Oakland and Berkeley
San Francisco	Primarily GRT	Primarily non-profits	Progressive system, varies by category. (Note: Prop F (2020) modified categories and set rates for Jan 2021 w/annual increases through 2024). Most currently range from \$0.53 to \$9.10 per \$1,000 (Cannabis higher)
Los Angeles	Primarily GRT, some exceptions (e.g., Movie production = cost)	Non-profits; Small biz (< \$100K/yr); Mutual funds; New auto dealers, Contractors < \$60K (\$153 flat fee)	Rates per \$1,000 range from \$1.01 (childcare provider & others) to \$4.25 (Professions & Occupations, others); Medical marijuana = \$60 per \$1,000
San Jose	Primarily num employees, some exceptions	Non-profits; Farmers within Santa Clara County selling own products in City	Base tax of \$203.85, most categories then taxed per employee starting at 3rd employee, progressive marginal tax (e.g., \$32.70 per employee for 3-35 employees, up to \$65.45 for 500+). All capped at \$163,745.
San Leandro	Flat fees, some categories add'l taxes (GR, headcount, sq ft)	Non-profits and most businesses with 3 or fewer employees within City	\$146.20 base for most businesses; GRT applied only to limited categories: Coin operated devices & towing (\$1.30); Firearms (concealed weapons & ammo)= \$44.00; parking lot (\$100)
Hayward	Limited GRT, most categories pay flat fees, per emp, per sq ft, etc.	Charities/non-profits; Peddlers or solicitors who are veterans, disabled, or indigent.	Most Retail/wholesale = up to \$373.35 fee if <\$3M, add'l GRT of \$0.11 for \$3M+ (some \$0.27 for \$400K+); Other rates at \$1.07 to \$1.33, Cannabis = \$70.
Walnut Creek	Most businesses may choose GRT or a flat rate + headcount	Charitable organizations; Minors (< 18 yrs) with up to \$1,000 revenues	GRT of \$2.30 first \$10K then decreasing rate up to \$0.02 for revenues > \$10M; OR flat \$416.00 for 1 owner/partner + Add'l partners \$139.00 then \$28 per employee up to 300 then \$14 for above 300
Concord	GRT (wholesale/retail, comm rents, contractors > \$204K); rest per employee or flat fee	Non-profits may qualify for no-fee business license	GRT: minimum \$25 up to \$25K revenues, then marginal GRT rates that decrease from \$0.90 to \$0.30 per \$1,000 at \$7.5M annual revenues; Varying rates per employee for most other categories
Antioch	GRT except per-unit for residential rentals	Non-profits	\$1.25 per \$1,000 up to \$1M, then add'l \$0.20 per \$1,000 of revenues > \$1M, Min of \$100 (\$25 home-based) Residential rental units = \$250/unit for Single-family, \$150/unit for multi-family
Pleasanton	GRT	Non-profits	Fees up to \$75 up to \$250K annual revenue, above that = \$0.30 per \$1,000.00
Fremont	GRT	Non-profits; Agricultural (non-retail); Part-time jobs (youths & seniors); Veterans	Most pay \$30 fee plus GRT per \$1,000 that varies from \$0.25 (retail) to \$1.50 (rec & entertainment). Charge extra \$0.30 for retail/wholesale in residential areas
Dublin	Fixed fees	Non-profits; Agricultural (non-retail); Attorneys; Part-time jobs (youths & seniors); Disabled veterans	\$94 new, \$26 renewal

* California prohibits taxation by any local jurisdiction for certain entities including the following: (1) banks and financial corporations; (2) insurance companies; (3) persons engaging in business as a for-hire motor carrier of property; (4) persons engaging in intercity transportation as a household goods carrier; (5) charter-party carriers operating limousines that are neither domiciled nor maintain a business office within the taxing jurisdiction.

Business Tax Rates for Selected Cities - Detail

Business Category	Tax Rates ⁽¹⁾					
	Oakland	Emeryville	Berkeley	Richmond ⁽²⁾	San Francisco ⁽²⁾	Los Angeles
A Retail Sales	\$1.20	\$1.00	\$1.20	\$1.20 / \$3.20	\$0.53 / \$2.24	\$1.27
B Grocers	\$0.60	\$1.00	\$0.60	\$0.60 / \$2.00	\$0.53 / \$2.24	\$1.27
C Automobile Sales	\$1.20	\$1.00	\$1.20	\$1.20 / \$5.00	\$0.53 / \$2.24	(Exempt)
D Wholesale Sales	\$1.20	\$1.00	\$1.20	(TBD)	\$1.05 / \$2.24	\$1.01
E Business/Personal Svcs.	\$1.80	\$1.00	\$1.80	\$1.80 / \$5.40	\$7.35 / \$9.10	\$1.27
F Professional Svcs	\$3.60	\$1.00	\$3.60	\$3.60 / \$6.80	\$5.60 / \$7.84	\$4.25
G Recreation/Entertainment	\$4.50	\$1.00	\$4.50	\$4.50 / \$5.00	\$2.10 / \$5.60	\$1.27 to \$2.55
H Contractors	\$1.80	\$1.00	\$1.80	\$1.80 / \$3.00	\$4.20 / \$6.30	\$1.01
I Manufacturing	\$1.20	\$1.00	\$1.20	\$1.20 / \$5.00	\$0.88 / \$6.65	\$4.25
J Mfg (unfinished good)	\$1.20	\$1.00	\$1.20	\$1.20 / \$5.00	\$0.88 / \$6.65	\$4.25
K Admin Headquarters	\$1.20	\$1.00	\$1.20	\$1.20 / \$2.40	\$29.00 ⁽³⁾	\$4.25
L Taxicabs	\$180.00	\$200.00	\$215.00	\$180.00	\$1.75 / \$6.65	\$54.99
M Residential Rental Property	\$13.95	\$1.00	\$10.81 (< 5 units) \$28.80 (5+ units)	\$10.81 (< 5 units) \$28.80 (5+ units)	\$3.99 / \$4.20	\$1.27
N Commercial Rental Property	\$13.95	\$3.50	\$10.81	\$10.81 (< 5 units) \$28.80 (5+ units)	\$10.00 (warehouse) \$35.00 (other)	\$1.27
O Commercial Rental (5-yr Exemption)	\$1.80	NA	NA	(1-yr exemption, lower rates)	NA	NA
P Hotel/Motel	\$1.80	\$1.00	\$2.40 ⁽⁴⁾	\$1.80 / \$5.00	\$2.10 / \$5.60	\$1.27
T Media Firms	\$1.20	\$1.00	\$2.40 ⁽⁴⁾	\$2.40 / \$4.80 ⁽⁴⁾	\$5.60 / \$7.84	\$1.01
U Utility Companies	\$1.00	\$1.00	\$2.40 ⁽⁴⁾	\$2.40 / \$4.80 ⁽⁴⁾	\$4.20 / \$5.60	\$1.01
W Miscellaneous	\$1.20	\$1.00	\$2.40	\$2.40 / \$4.80 ⁽⁴⁾	(varies)	(varies)
X Ambulance, Limousines	\$75.00	\$200.00	\$215.00	\$75.00	\$1.75 / \$6.65	\$54.99
Y Trucking/Transportation	\$72.00 (first), \$4.50 (201+)	\$1.00	\$2.40 ⁽⁴⁾	\$72.00 (first), \$4.50 (201+)	\$1.75 / \$6.65	\$88.69
Z Cannabis	\$1.20 - \$95.00	\$60.00	\$25.00 / \$50.00	\$50.00	\$25.00 / \$50.00	\$10.00 to \$100.00

Notes:

(1) Rate is per \$1,000 in gross receipts except the following:

Value-added (per \$1,000)
Local (In-City) Expenses (per \$1,000)
Gross payroll (per \$1,000)
Per permit or per Vehicle
Per Owner/Officer/Employee

(2) San Francisco and Richmond have adopted progressive GRT systems. For these cities, the min and max rates are presented (MIN/MAX). Note that Richmond's rates were just passed by Measure U (2020) and will begin in 2021. Richmond's rates represent the upper limit for the rates from Measure U; the City Council has the authority to lower rates and is currently considering doing so.

(3) San Francisco admin headquarter tax only applies to businesses with 1,000+ U.S. employees and \$1 Billion or more in annual sales.

(4) These categories did not have a specific rate listed in the city's tax schedule and were therefore assigned the rate in the city's "Miscellaneous" category.